



DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY
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ASN(FM&C): FMB6
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SECNAV INSTRUCTION 5420.196

From: Secretary of the Navy

Subj: DEPARTMENT OF THE NAVY COST ANALYSIS IMPROVEMENT GROUP
(DON CAIG)

Ref: (a) SECNAVINST 5000.2C
(b) 10 U.S.C. § 2434 (2003), Independent Cost Estimates;
Operational Manpower Requirements
(c) DOD Instruction 5000.2 of 12 May 03, Operation of the
Defense Acquisition System
(d) DOD Directive 5000.4 of 24 Nov 92

1. Purpose. To issue a charter for the DON CAIG as directed by reference (a).

2. Background

a. Reference (b) requires an independent, life-cycle cost estimate of a Major Defense Acquisition Program (MDAP), conducted by an organization outside the acquisition chain prior to milestone approval by a Milestone Decision Authority (MDA). This independent cost estimate (ICE) is completed prior to a Milestone B or C review, and also for full-rate production decisions, per reference (c). Reference (c) delegates the decision authority as shown in Table 1 below, and the ICE is normally delegated as shown. Within the DON, the Naval Cost Analysis Division (FMB-6), of the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)), Office of Budget (FMB), is the designated component cost analysis group.

b. An ICE is an independent determination of all costs of a program. Reference (b) requires an ICE to include "all costs of development, procurement, military construction, and operations and support, without regard to funding source or management control." For Major Automated Information Systems (MAIS) programs the ICE is called a Component Cost Analysis (CCA).

When an ICE is specified in this instruction, a CCA is implied for MAIS programs.

Acquisition Category (ACAT)	Decision Authority	Preparation of ICE
ACAT ID	Under Secretary of Defense (Acquisition, Technology & Logistics)	Office of the Secretary of Defense (OSD) CAIG
ACAT IC	Head of the DoD Component or, if delegated, the DoD Component Acquisition Executive (CAE)	Component Cost Analysis Group
ACAT IAM	Assistant Secretary of Defense (Command, Control, Communications, & Intelligence) (ASD(C3I))/DoD Chief Information Officer (CIO)	As requested by ASD(C3I)
ACAT IAC	CAE, as delegated by the DoD CIO	Component Cost Analysis Group

Table 1. Decision Authority and ICE Preparation for ACAT I programs.

c. This instruction serves as the DON adjunct to the OSD CAIG charter, reference (d). This instruction establishes procedures for DON CAIG review of life-cycle costs of ACAT IC, IAC, and IAM programs and major capability initiatives for which the DON is responsible.

3. Discussion

a. For an ICE of a DON ACAT IC, IAM or IAC program, the DON CAIG will review all life-cycle cost elements of the program. For cost estimates of Joint Service programs, the DON CAIG will review all elements of the total life-cycle costs that the DON has been designated to review. A review of a Joint program may be led by the DON or another component cost organization. Procedures for a DON CAIG review of a Joint program will be the same as that of a DON-only program.

b. The DON CAIG shall review each of the program and estimating assumptions and shall examine their validity. Program assumptions are found within the Cost Analysis Requirements Description (CARD), provided to the cost estimators by the Program Manager (PM)/Program Executive Officer (PEO).

The ICE shall address any instances of significant inconsistencies within the CARD and an assessment of the potential cost implications due to the inconsistencies. Responsibilities for best-practice solutions to technical design problems and acquisition strategy issues rest with the PM.

c. In reviewing the ICE, the DON CAIG shall employ best professional practices. The ICE may incorporate, with or without adjustment, specific portions of the program office cost estimate if they have been judged valid. The decision to incorporate portions of the program office estimate in the ICE shall be at the discretion of the Director, FMB-6 based on such evidence, as follows:

(1) Current prices or realized costs;

(2) Cost incurred on similar programs; or

(3) Verification based on experience that the methods and data used in constructing the estimate are reasonable.

4. Responsibilities

a. DON CAIG

(1) Act as the principal cost advisory body to the MDA.

(2) Advise the MDA whether cost estimating deficiencies in the program office estimates or the lack of estimate documentation are so significant that the milestone or program review should be deferred.

(3) Convene for a Sufficiency Review (SR) at the request of the MDA. The SR will provide an independent cost estimate of only high-risk cost elements. The remaining elements of the program office cost estimate are reviewed for proper methodology.

(4) Provide quantitative assessment of risk in the ICE. In developing an assessment of cost risk, the ICE shall consider the validity of programmatic and technical assumptions, uncertainties in inputs to any cost estimating relationships used in its estimates, and uncertainties in the factors used in making any estimates by analogy. The DON CAIG may consider information on risk provided by any source, although primary reliance will be on the technical risk assessments provided by

the PM, and of other DON offices, in accordance with their functional responsibilities.

(5) The DON CAIG will not review ACAT II/III programs unless specifically directed by ASN(FM&C).

b. Director, FMB-6

(1) Schedule and chair the DON CAIG meeting. Provide a summary memo to the MDA and other cognizant organizations.

(2) Establish substantive guidance on the preparation of cost estimates and detailed procedural guidance on DON CAIG presentations.

(3) Provide a report on the program life-cycle costs to the MDA and other cognizant organizations not later than 14 days prior to the milestone review.

c. Program Manager/Program Executive Officer (PM/PEO)

(1) Provide sufficient funding for the performance of an ICE, as determined by FMB-6.

(2) Provide a program overview briefing with the draft CARD to FMB-6 no later than 180 calendar days prior to the Milestone Review date. This briefing will address overall acquisition strategy, budget data, program risks and other programmatic execution issues including design, international cooperative research & development participation, production, test and fleet introduction.

(3) Provide FMB-6 with data requested by the ICE analyst(s) separate from the CARD, and participate in reconciliation prior to the DON CAIG review.

d. Systems Command Cost Group. Support an ICE or an SR by providing to FMB-6 data and analysis of the program or other related programs.

5. Action

a. A meeting of the DON CAIG will be held to review the program office cost estimate and the ICE. The Director, FMB-6 or his/her designated representative will chair the meeting.

Other attendees should be, but are not limited to, representatives of the following:

(1) Appropriate Resource Sponsor or Program Sponsor from the Office of the Chief of Naval Operations (OPNAV) or Headquarters, Marine Corps (HQMC),

(2) OPNAV Programming Division (N80) or HQMC, Deputy Commandant for Programs and Resources (P&R),

(3) Program Manager (PM)/Program Executive Officer (PEO),

(4) Cognizant Deputy Assistant Secretary of the Navy (DASN),

(5) FMB-2,

(6) Systems Command Cost Group,

(7) Systems Command Comptroller, and

(8) Other experts the Chair deems necessary for the proceedings.

b. Attendance of non-government personnel must be approved by the Director, FMB-6 prior to the meeting.

c. The Director or designated representative may proceed with the DON CAIG meeting at his/her discretion with attendees at hand.

6. Report. Reporting requirement contained in paragraph 4b(3) is exempt from reports control by SECNAVINST 5214.2B.

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